

ACCOUNTING POLICY

TOPIC: Cash and Check Handling 1.0	EFFECTIVE DATE: 12/19/84
TITLE: Handling of Cash Receipts	REVISION DATE: 8/04/94
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BACKGROUND

There are many offices in the department, which collect money for various reasons. Money collected from a wide variety of sources requires proper collecting, recording, safekeeping and depositing procedures.

Audits have emphasized the need for proper cash handling procedures such as physical control over cash/checks, adequate security and timely deposits to the State Treasurer.

Employees involved with receipt handling should read these procedures thoroughly. Employees who have supervisory responsibility over employees handling receipts should insure that these procedures are followed.

STATUTORY AND DEPARTMENT OF ADMINISTRATION REQUIREMENTS

The following Wisconsin statute relates to the receipt and deposit of monies. This statute must be followed. See in particular the penalty of Section (4).

- s. 20.906 (1) FREQUENCY OF DEPOSIT. Unless otherwise provided by law, all moneys collected or received by any state agency for or in behalf of the state or which is required by law to be turned into the state treasurer shall be deposited in or transmitted to the state treasury at least once a week and also other times as required by the governor or the state treasurer and shall be accompanied by a statement in such form as the treasurer may prescribe showing the amount of such collection and from whom and for what purpose or on what account the same was received. All moneys paid into the treasury shall be credited to the general purpose revenues of the general fund unless otherwise specifically provided by law.
- (2) FORM OF RECEIPTS. The department of administration shall prescribe a form of official blank receipts to be issued by or for each state agency collecting or receiving any money for the state, or collecting any money required by law to be turned into the state treasury, and such state agency shall issue such official receipts to each person from whom money is received. All such official receipts shall be prenumbered consecutively. The secretary of administration may waive the issuance of official receipts in cases where he prescribes other adequate collection control measures, but receipts shall be issued on demand.

- (3) IMPROPER USE OF RECEIPTS FORM. Any person who issues or delivers such official receipt or passes or utters the same, except as required by law, is guilty of a misdemeanor.
- (4) PENALTIES. If any state agency fails to make such deposits of money, or to make such reports as are required by this section, the department of administration, with the approval of the governor, shall withhold all moneys due such state agency until this section is complied with; and upon such failure to make such deposits of money, the officer or employee so failing shall be liable to the state treasurer for an amount equal to the interest upon the moneys so withheld from deposit at the same rate as that received by the state upon moneys held in the state investment fund, for the period for which such deposit is withheld, and such interest shall be a charge against the officer or employee and shall be deducted from his compensation.

Please note that s. 20.906 (1) reads "at least once a week." Agencies which collect larger sums of money should deposit daily or more frequently than once a week.

POLICY

The Department of Administration has set the following standards for timely deposits to improve cash management and to ensure proper control over undeposited currency and checks. Organizations that receive cash or checks daily are encouraged to make daily deposits. Organizations are required to deposit when receipts reach \$10,000, **or** once a week if receipts are less than \$10,000. There is no minimum exception for the deposit of receipts. Therefore, deposits will be made daily, two or more times a week, or once a week, depending on the amount of receipts. There is no minimum exception to weekly depositing even for amounts less than \$10.00. All receipts on hand on the last working day of the month must be deposited that day.

PROCEDURES

The procedures that follow are considered the minimum acceptable. Each unit shall develop internal procedures, which will comply with the state statute and proper internal controls. The procedure shall be documented and available for review.

1. **Collection Location.** Money should be collected in as few places as possible and stored in a secure facility such as a safe or vault. Consideration should always be given to the quantity of the money being received as well as its composition (i.e., currency and/or checks) in determining where money will be collected and stored.
2. **Restrictive Endorsement.** All checks shall be restrictively endorsed immediately upon receipt. All units that receive checks regularly should have restrictive endorsement stamps. Federal law requires endorsements on checks to be in a specific location. As shown on the enclosed announcement from First Wisconsin, the endorsement is limited to 1½ inches on the trailing edge of the reverse side of the check.
3. **Receipt Issuance.** Unless otherwise specified, consecutive prenumbered receipts will be issued to each person from whom money is received. These receipts shall be of the format prescribed by the Department of Administration. Cash receipts should be recorded immediately upon receipt. Detailed unit procedures may specify an alternate procedure to receipt issuance under certain conditions where internal control will

not be compromised. Examples of where a receipt is not required are federal checks and license receipts where collection may be indicated on the turn around document submitted with the payment.

4. **Separation of Duties.** Different individuals should be assigned the responsibility for collection, deposit and reconciliation of deposits to accounting reports. The degree of separation of duties depends on the receipts activity and staff availability.
5. **Control totals** should be used to account for all items received and deposited. Cash counts and other monitoring and verification procedures should be used to assure that all checks are deposited intact and that an audit trail is maintained.
6. **Recordkeeping.** The office which collects money must maintain proper records, which include receipt and deposit records, inventories of saleable items, reconciliations of deposits to accounting reports, etc. The records to be maintained will depend on the size of the operation.
7. **Intact Deposit.** All monies shall be deposited intact daily if feasible. Receipts shall not be held awaiting clarification of purpose or for any other reason. Receipts of unspecified purpose or origin shall be deposited in Appropriation 975. As clarification of purpose or origin is determined, corrective action (i.e. correction transfer or disbursement) may be taken to clear App 975.
8. **Deposit to State Treasurer or Local Bank.** Whether deposits are first made to a local bank prior to transmitting to State Treasurer or made directly to State Treasurer, the following provisions apply. Unless other arrangements are approved by the Director, Bureau of Fiscal Services, DHSS units will submit all collections and/or prepared deposit vouchers and receipts remittances to the Bureau of Fiscal Services or the State Treasurer daily, or at least once every week, and on the last day of the month. See **CASH AND CHECK HANDLING 2.0 (Deposits to the State Treasurer)**. There is no minimum exception.

Special arrangements now in effect, such as those for copying charges, will not be affected by this bulletin. [See **REVENUES AND REFUNDS 3.0 (Accounting Procedures for Copying Charge Receipts)**].

9. **Federal Checks.** Federal checks should be deposited on the same day of receipt. No federal checks are to be left unsecured or held pending determination of the purpose of payment. If there is a question as to coding, the appropriate accountant in BFS-Program and Federal Accounting Section should be notified. If the fiscal accounting codes cannot be determined, the check should be deposited to Appropriation 975 pending transfer.
10. **Over and Under.** Cash receipt shortages of less than \$2 against a specific bill or invoice shall not be rebilled or an attempt made to collect except as part of an ongoing billing process. Cash receipt overages of less than \$2 shall not be refunded unless specifically requested. This procedure makes the department's cash handling more efficient.

Accounts receivable records may require adjustment whenever a bill is paid short \$2.00 or less and accepted as payment in full.

11. **Prohibited Practices.** Cash on hand shall not be used for cashing checks of employees, clients or the general public. Checks received over the counter should be accepted for the amount due only. It is a prohibited

practice to accept a check in excess of the amount due and give an immediate refund in cash for the difference.

12. **Written Procedures.** Each unit which handles cash must develop and maintain specific written procedures which include all of the above components. These procedures should be distributed to **all** staff involved in the cash receipts activities.
13. **Direct Deposit and Lockboxes.** There are many techniques currently available to assist in cash handling such as bank lock boxes, direct deposit and others. If you believe your unit could benefit from these more sophisticated techniques, contact the Bureau of Fiscal Services.

If these cash handling techniques are used, proper controls must be established to assure that funds are deposited appropriately and regular reconciliations made, including periodic reviews by an independent person.

ATTACHMENTS

Restrictive Endorsement Requirements - First Wisconsin Bank

REFERENCES

Wisconsin Statutes 20.906

CASH AND CHECK HANDLING 2.0 (Deposits to the State Treasurer)

REVENUES AND REFUNDS 4.0 (Accounting Procedures for Copying Charge Receipts)

CONTACTS

Amy McDowell (608) 266-2708 or Your Lead Accountant in Bureau of Fiscal Services



August 1, 1988

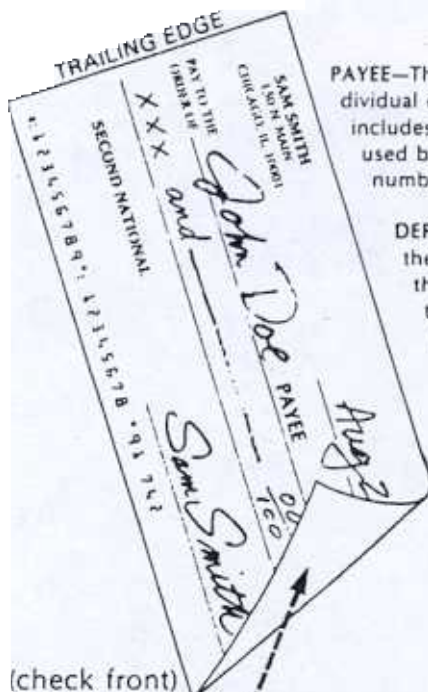
*****IMPORTANT ANNOUNCEMENT*****

Recently Congress enacted a law, called the Expedited Funds Availability Act, which affects us as a financial institution and you as our customer. Beginning September 1, 1988, all banks and their customers will be required to comply with provisions of the Act which specify the location of indorsements on checks that are deposited to your commercial business account(s).

The mandatory check indorsement standards state that the 1 1/2 inch area starting at the "trailing edge" of a check is reserved for your indorsement and any indorsement of your customers. The limited space allowed by the Act for your indorsement may require you to obtain smaller indorsement stamps and/or modify automated indorsements from either cash registers or other equipment used to apply indorsements.

The middle area of the check (1 1/2 inches on a personal size check or 3 1/2 inches on a business size check) is reserved for the "bank of first deposit." It is required that this area NOT contain any pre-printed, stamped, or handwritten customer information or other notations. Failure to leave this area blank could result in delays on checks that are returned by your customers' bank. Should this occur, losses associated with delays caused by unreadable bank indorsements will be the responsibility of the depositor.

On the reverse side of this announcement is a drawing of both a personal and business size check, which illustrates the new indorsement standards. Should you have any questions, or require assistance, please contact your First Wisconsin account officer.



(check front)

PAYEE—This section of the check—up to 1½" from the trailing edge—is reserved for the Payee (an individual or corporation to which the check is made payable). Required information for this section includes an authorized signature of an individual; or the stamp of an organization; or the stamp used by a merchant to record information about the writer of the check (e.g., driver's license number, credit card number, etc.).

DEPOSITARY BANK—This section of the check—starting 3" from the leading edge to 1½" from the trailing edge—is reserved for the Depositary Bank. Required information to be included in this area is the bank's 9-digit routing number (set off by arrows at each end and pointing towards the number), the bank's name and location, and the indorsement date. This indorsement must be in purple or black ink.

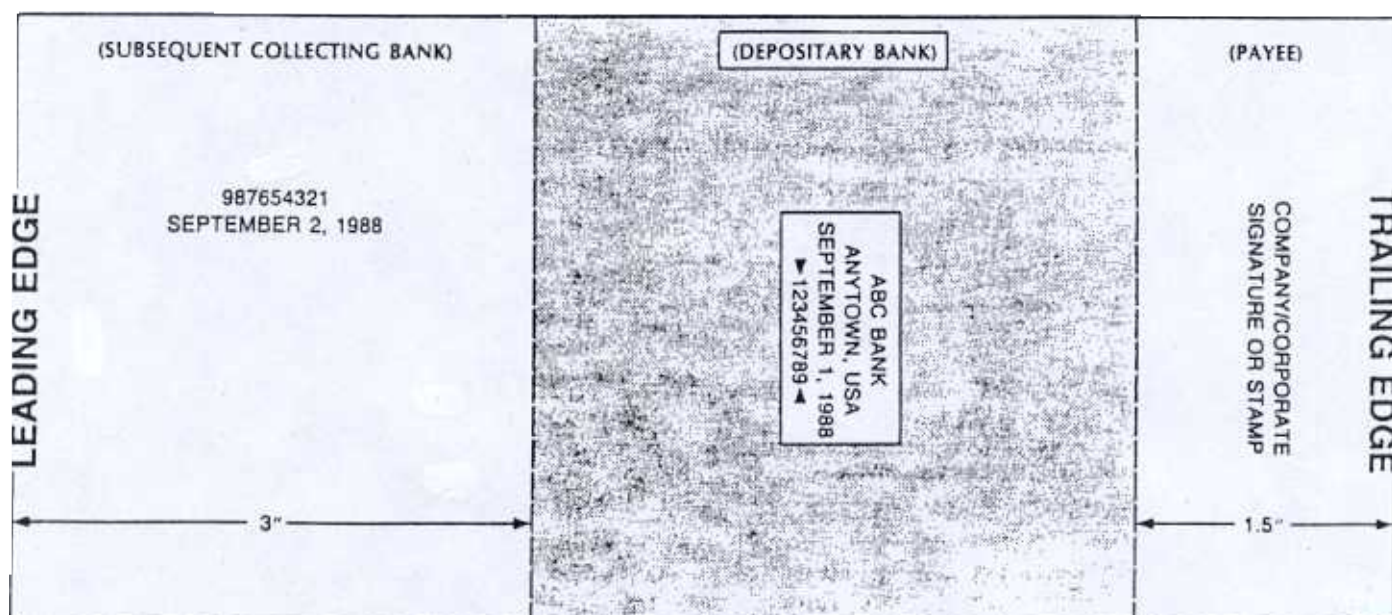
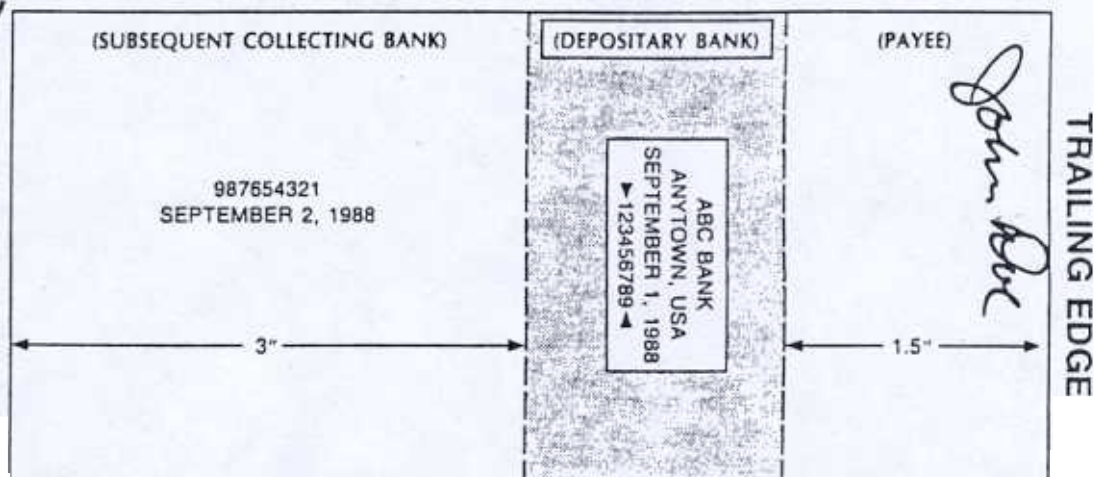
SUBSEQUENT COLLECTING BANK—This section of the check—from the leading edge to 3" from the leading edge—is reserved for the Subsequent Collecting Bank and could also be indorsed by the Returning Bank. Required information to be included in this area is the bank's routing number and the indorsement date; both are to be printed in other than purple ink.

RETURNING BANK—The returning bank indorsement can be placed anywhere on the check except those areas reserved for the Depositary Bank and the Payee (3" from the leading edge to the trailing edge). In addition, this indorsement must be printed in other than purple ink.

See below for Optional Indorsement Elements

LEADING
EDGE

(check back)



In the example above (top), a standard-sized personal check—approximately 3" by 6"—is used to illustrate the indorsement areas. Business checks can vary widely in size. However, the width of the indorsement area allotted to the Subsequent Collecting Bank and the Payee remains the same (see bottom example).